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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 26513

E.O. 11652: GDS
TAGS: ENRG, OECD

SUBJECT: IEP: ESTABLISHMENT OF NEW ENERGY AGENCY

REF: A) OECD 26130 B) OECD 26512

FOR BONN: PLEASE PASS TO ASSISTANT SECRETARY ENDERS

SUMMARY: OECD HEADS OF DEL MET NOVEMBER 7 TO REVIEW DRAFT COUNCIL DECISION FOR ESTABLISHMENT OF NEW ENERGY AGENCY. PERMREPS RESPONDED IN POSITIVE MANNER, WITH SEVERAL NON-ECG COUNTRIES INDICATING THEIR READINESS TO JOIN NEW AGENCY (SEE REF B). NONE OF PERMREPS EXCEPT FRANCE RAISED SPECIFIC QUESTIONS, OR OBJECTIONS, TO DRAFT DECISION, AND EVEN FRENCH COMMENTS WERE CAST IN GENERALLY POSITIVE VEIN AND WERE NOT PRESENTED IN THE FORM OF DEMANDS. END SUMMARY

2. OECD HEADS OF DELEGATION MET NOVEMBER 7 TO REVIEW DRAFT COUNCIL DECISION FOR ESTABLISHMENT OF NEW ENERGY AGENCY, TOGETHER WITH COVERING NOTE AND DRAFT ENTRY INTO COUNCIL MINUTES PREPARED BY SEC GEN VAN LENNEP. ECG CHAIRMAN DAVIGNON INTRODUCED SUBJECT AND ALSO CIRCULATED DRAFT TEXT OF SEPARATE ECG DECLARATION ON RELATIONSHIP OF NEW AGENCY TO EXISTING OECD COOPERATION ON ENERGY ISSUES. DAVIGNON SAID HE HAD DRAFTED DECLARATION AFTER CONSULTING SEC GEN AND WAS CONFIDENT IT WAS GENERALLY IN ACCORD WITH VIEWS OF ECG MEMBER GOVERNMENTS. HE SAID TEXT WOULD BE REVIEWED BY ECG NOVEMBER 8 AND MIGHT BE SUBJECT TO MINOR AMENDMENTS. (IN ACTUALITY, U.S., UK AND FRG HAD SEEN TEXT IN ADVANCE.) NONE OF PERMREPS EXCEPT FRANCE RAISED SIGNIFICANT SPECIFIC QUESTION, OR OBJECTION, TO CONTENTS ANY OF TEXTS CONSIDERED. REMARKS
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BY FRENCH REP VALERY, AND REPLY BY DAVIGNON AND SEC GEN VAN LENNEP FOLLOW:

A. FRANCE IS VERY CONCERNED ABOUT THE ENERGY CRISIS AND ITS IMPACT ON THE WORLD ECONOMY AND BELIEVES THERE IS A COMMON INTEREST FOR PRODUCERS AND CONSUMERS TO COOPERATE IN SOLVING THIS CRISIS. THE SOONER SUCH "CONCERTATION" CAN BE ESTABLISHED THE BETTER, AND THIS IS WHY FRANCE HAS PROPOSED A PRODUCER-CONSUMER

CONFERENCE.

B. BECAUSE OF ITS SLIGHTLY DIFFERENT APPROACH TO "CONCERTATION," FRANCE WILL ABSTAIN ON THE COUNCIL DECISION. FRANCE INTERPRETS ITS ABSTENTION AS A "POSITIVE" ACTION, HOWEVER, BECAUSE IT PERMITS THE ESTABLISHMENT OF THE NEW AGENCY WITHIN OECD. FRANCE BELIEVES THIS IS THE BEST SOLUTION "THINGS BEING WHAT THEY ARE."

C. NOTHING VALERY SAID, AND NONE OF THE QUESTIONS HE WOULD POSE, SHOULD BE UNDERSTOOD IN ANY WAY AS AN ATTEMPT TO DELAY OR PREVENT ESTABLISHMENT OF THIS NEW AGENCY. FRANCE IS TAKING A "SINCERE" POSITION, CORRESPONDING TO THE SPIRIT OF COOPERATION FRANCE BELIEVES EXISTS WITHIN OECD.

D. FRANCE BELIEVES IT IS MUCH BETTER TO ESTABLISH THE AGENCY WITHIN OECD RATHER THAN ELSEWHERE, BUT ALSO BELIEVES EXISTING COOPERATION ON ENERGY WITHIN OECD MUST BE MAINTAINED, AND THAT THERE BE AS CLOSE LINKS AS

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POSSIBLE ON THIS ISSUE WITHIN OECD. FRANCE THEREFORE BELIEVES THE SECRETARY GENERAL OF THE ORGANIZATION SHOULD BE ASSOCIATED WITH THE PROCEEDINGS OF THE GOVERNING BOARD OF THE NEW AGENCY.

E. FRANCE UNDERSTANDS THAT, AS A NON-IEA MEMBER, IT MIGHT NOT BE ALLOWED TO "ENTER THE RESTAURANT (OF OECD ENERGY COOPERATION) BUT AT LEAST IT SHOULD BE ALLOWED INTO THE LIBRARY." FOR EXAMPLE, FRANCE BELIEVES THAT ANY OECD EFFORTS TO PROMOTE COOPERATIVE RELATIONS WITH PRODUCERS SHOULD BE CARRIED OUT ON AN OECD-WIDE BASIS, AND NOT JUST WITHIN NEW AGENCY AS IMPLIED BY ARTICLE 6. IN PARTICULAR, ANY PREPARATION FOR A PRODUCER-CONSUMER CONFERENCE SHOULD BE COORDINATED WITHIN OECD, WHICH IS THE MOST LOGICAL FORUM FOR SUCH COORDINATION.

F. INTERNATIONAL COOPERATION IN ENERGY R&D IS EXTREMELY IMPORTANT. FRANCE STRONGLY BELIEVES THAT NON-IEP MEMBERS SHOULD HAVE A RIGHT TO PARTICIPATE IN THIS AREA, AND THAT THE OECD-WIDE FRAMEWORK IS A GOOD

PLACE TO DO THIS WORK.

G. FRANCE BELIEVES THAT EVERY EFFORT SHOULD BE MADE TO FOLLOW UP ON THE LONG-TERM ENERGY ASSESSMENT REPORT AND, THEREFORE, PROPOSES A COUNCIL MEETING, POSSIBLY AT MINISTERIAL LEVEL, BEFORE THE END OF THE YEAR TO DISCUSS THESE PROBLEMS, AND TO DECIDE HOW LONG-TERM ENERGY WORK SHOULD BE CARRIED OUT WITHIN OECD. FRANCE BELIEVES COORDINATION ON LONG-TERM ISSUES SHOULD BE DONE ON AN OECD-WIDE BASIS, AND THEREFORE HOPES THAT SUBPARA V OF ARTICLE 6 OF THE DRAFT DECISION DOES NOT IMPLY THAT ECG ENVISAGES THAT ALL SUCH WORK WILL BE DONE WITHIN THE NEW AGENCY. FRANCE HOPES THAT PREPARATION FOR A PRODUCER/ CONSUMER MEETING WILL NOT BECOME BOGGED DOWN IN

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"ADMINISTRATIVE DELAYS.

3. VALERY POSED SEVERAL SPECIFIC QUESTIONS CONCERNING THE DRAFT DECISION AND DRAFT AGREEMENT. HE SAID AN ECG RESPONSE REFLECTING A BASIC UNDERSTANDING OF FRENCH CONCERNS ON THESE POINTS WOULD BE CONSIDERED BY FRANCE AS "A REASSURING AND POSITIVE SIGN:"

A. DOES ARTICLE 9 OF THE DRAFT DECISION MEAN THAT NON-IEP MEMBERS CAN ASSOCIATE, ON AN AD HOC BASIS, IN THE ACTIVITIES OF THE AGENCY. (VALERY SAID FRANCE WOULD BE "BETTER ASSURED" CONCERNING THE ENERGY COOPERATION ISSUE IF THE ANSWER HERE WERE POSITIVE.)

B. FRANCE NOTES THAT ARTICLE 12 STIPULATES THAT THE AGENCY CAN ESTABLISH RELATIONS WITH THIRD COUNTRIES AND

INTERNATIONAL ORGANIZATIONS. WOULD IT NOT BE APPROPRIATE FOR THE COUNCIL TO HAVE THE RIGHT TO APPROVE THE OPENING OF RELATIONS WITH OUTSIDE ENTITIES?

C. ARTICLE 73 OF THE IEP AGREEMENT STIPULATES THAT THE AGREEMENT CAN BE AMENDED BY THE GOVERNING BOARD OF THE AGENCY. THIS MEANS THE AGENCY CAN CHANGE ITS AREA OF COMPETENCE. SINCE THE AGENCY IS WITHIN OECD, SHOULDN'T COUNCIL APPROVAL FOR THIS BE NECESSARY?

4. DAVIGNON REPLIED THAT VALERY'S COMMENTS HAD BEEN VERY CLEAR. DAVIGNON SAID THAT AS FAR AS THE SECGEN'S RELATIONSHIP TO THE AGENCY WAS CONCERNED, THIS POINT HAD ALREADY BEEN DISCUSSED AT SOME LENGTH AND HE WAS SURE THERE WAS NO MISUNDERSTANDING. DAVIGNON SAID ARTICLE 7 IS VERY CLEAR AND SPECIFIC ON THIS POINT AND THAT IT IS UP TO THE SECGEN TO INDICATE NOW IF HE BELIEVES HE WILL BE IN A POSITION TO CARRY OUT HIS RESPONSIBILITIES AS ENVISAGED IN THIS ARTICLE.

5. DAVIGNON SAID IT WILL BE VERY DIFFICULT TO DEFINE EXACTLY WHAT THE RELATIONSHIP OF THE GOVERNING BOARD TO THE COUNCIL WILL BE BUT, IF THE AGENCY PROVIDES THE

COUNCIL WITH FULL INFORMATION AS TO ITS ACTIVITIES, IT
SHOULD BE POSSIBLE TO AVOID DIFFICULTIES.

6. RE QUESTION CONCERNING THE PARTICIPATION BY NON-IEP
COUNTRIES IN SPECIFIC ENERGY AGENCY ACTIVITIES, DAVIGNON
WANTED VALERY TO UNDERSTAND THAT NOTHING IN THE
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AGREEMENT PRECLUDES THIS IN PARTICULAR INSTANCES.
HOWEVER, IT WOULD BE VERY DIFFICULT AT THIS STAGE TO
PROVIDE A PRECISE ANSWER ON THIS POINT, SINCE THE
DETAILS OF THE AGENCY'S WORK PROGRAM HAVE NOT YET BEEN
DECIDED BY THE GOVERNING BOARD. THIS WOULD BE THE TASK
OF THE GOVERNING BOARD AT ITS FIRST MEETING. DAVIGNON
SAID AT THAT POINT IT WOULD BE POSSIBLE TO DISCUSS HOW
COOPERATION AND COORDINATION WITHIN OECD SHOULD BE
ORGANIZED.

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DAVIGNON ASSURED VALERY THAT THE GROUP WOULD BE OPEN TO
SUGGESTIONS ON THIS ISSUE.

7. AS FOR VALERY'S QUESTION CONCERNING RELATIONS WITH
OUTSIDE ENTITIES (ARTICLE 12), THE IDEA OF THE GROUP IS
NOT TO BRING OTHER COUNTRIES OR ORGANIZATIONS INTO THE
WORK OF THE AGENCY, BUT TO ESTABLISH NORMAL CHANNELS
TO EXCHANGE TECHNICAL INFORMATION. IN THIS REGARD,
DAVIGNON REMINDED VALERY THAT THE DECLARATION HE HAD
CIRCULATED STIPULATES THAT THE AGENCY DOES NOT
CONTEMPLATE DOING ANYTHING WHICH WOULD PREJUDICE THE
INTERESTS OF NON-AGENCY OECD MEMBERS.

8. CONCERNING AMENDMENT OF THE AGREEMENT (ARTICLE 73),
DAVIGNON SAID THAT, ONCE THE AGREEMENT IS SIGNED, IT WILL
HAVE LEGAL STATUS AND WILL COMMIT VARIOUS COUNTRIES TO

THE PROGRAM. IF THE GOVERNING BOARD SUBSEQUENTLY
DECIDES IT NEEDS TO BE AMENDED, THIS WOULD RAISE A POINT
OF PROCEDURE FOR THE ORGANIZATION. DAVIGNON SAID HE
WOULD FORWARD VALERY'S SUGGESTIONS TO THE ECG, BUT NOTED
THAT IT WOULD TAKE TIME TO DEVELOP A REPLY ON THIS.
COMMENT: NONE OF THE REMARKS MADE BY FRENCH PERMREP
VALERY AT THE MEETING WERE PRESENTED IN THE FORM OF
DEMANDS. VALERY INFORMED DCM LATER THAT HE HAD RECEIVED
SPECIFIC INSTRUCTIONS FROM FONMIN SAUVAGNARGUES TO BE
"POSITIVE" IN PRESENTING FRENCH COMMENTS. VALERY SAID
HE HOPED ECG MEMBERS MIGHT ALSO TAKE FORTHCOMING STAND
ON FRENCH SUGGESTION AT NOVEMBER 15 COUNCIL
MEETING.
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